

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Financial Statements

December 31, 2008

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Financial Statements

December 31, 2008

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HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

DAVID A. CLOWARD, CPA
KEVIN L. SIMISTER, CPA
O. JEFFERY WILDE, CPA
MARK D. WHITTAKER, CPA
DENTON R. ALEXANDER, CPA
D. ERIC NUTTALL, CPA
BRUCE D. GARFIELD, CPA
CLINT L. PETERSON, CPA
ANGELA ANDERSON MORRIS, CPA
MARK L. HALE, CPA
JOSH G. ROWLEY, CPA

RICHARD E. HAWKINS, CPA
KEITH T. BORUP, CPA
RONALD K. HAWKINS, CPA

INDEPENDENT AUDITORS' REPORT

Honorable Governing Board Members
North Village Special Service District
Heber City, Utah

We have audited the accompanying financial statements of North Village Special Service District, a component unit of Wasatch County, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of North Village Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Village Special Service District as of December 31, 2008, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2009 on our consideration of North Village Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control

over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages MDA-1 through MDA-6 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

March 28, 2009

NORTH VILLAGE SPECIAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the North Village Special Service District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the year ending December 31, 2008. Please read it in conjunction with the District's financial statements and additional information that we have furnished in the Independent Auditors' Report.

FINANCIAL HIGHLIGHTS

- The District's total net assets increased from \$4,922,414 to \$5,364,818 due mostly to an increase in Capital Contributions from developers.
- The District's operating expenses are largely the result of a water lease contract with Jordanelle Special Service District to meet the water needs of the District, and the addition of materials and supplies.
- The District's revenues are mainly Water Reserve fees in the amount of \$472,557 to pass through the cost of the Jordanelle SSD water lease contract and bond assessments in the amount of \$668,657.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the Management's Discussion and Analysis, the Independent Auditors' Report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information of the District accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about the District's activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments and resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through its fees and other charges, and to determine its profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financial activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Assets, and the Statement of Revenues, Expenses, and Changes in Net Assets report the net assets of the District and the change in them. The District's net assets, or the difference between assets and liabilities, is one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets will be one indicator of whether its financial health is improving or deteriorating. However, in the future one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

NET ASSETS

**Table A-1
Statement of Net Assets
2008**

	2008	<u>2007</u>	Dollar <u>Change</u>	<u>Change</u>	Total Percent
Current and Other Assets	\$ 7,411,556	\$ 7,644,084	\$ (232,528)	%	(3.04)
Capital Assets	<u>9,798,141</u>	<u>9,787,866</u>	<u>10,275</u>		.10
Total Assets	<u>\$17,209,697</u>	<u>\$ 17,431,950</u>	<u>\$(222,253)</u>		<u>(1.27)</u>
Long-term Liabilities	\$ 11,115,600	\$ 11,803,600	\$ (688,000)	%	(5.82)
Other Liabilities	<u>729,279</u>	<u>705,936</u>	<u>\$ 23,343</u>		3.31
Total Liabilities	<u>\$11,844,879</u>	<u>\$ 12,509,536</u>	<u>\$(664,657)</u>		<u>(5.31)</u>
Invested in Capital Assets, Net of Related Debt	\$ 4,572,109	4,238,865	\$ 333,244		7.86
- Restricted	163,465	155,870	7,595		4.87
- Unrestricted	<u>629,244</u>	<u>527,679</u>	<u>101,565</u>		19.25
Total Net Assets	<u>\$5,364,818</u>	<u>\$ 4,922,414</u>	<u>\$ 442,404</u>		

The District's Net Assets increased by \$ 442,404 due mostly to the increase in normal operations.

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

NET ASSETS (cont.)

**Table A-2
Statement of Revenues,
Expenses, and Changes in Net Assets
2008**

	2008	2007	Dollar Change	Total Percent Change
Operating Revenues	\$ 1,163,854	\$ 1,352,772	\$ (188,918)	% (13.9)
Nonoperating Revenues	<u>26,974</u>	<u>55,713</u>	<u>(28,739)</u>	<u>(51.5)</u>
Total Revenues	<u>1,190,828</u>	<u>1,408,485</u>	<u>(217,657)</u>	<u>(15.45)</u>
Depreciation Expense	112,177	87,970	24,207	27.51
Amortization Expense	8,804	8,804	0	
Other Operating Expense	380,248	379,931	317	.08
Nonoperating Expense	<u>328,195</u>	<u>353,248</u>	<u>(25,053)</u>	<u>(7.09)</u>
Total Expenses	<u>\$ 829,424</u>	<u>\$ 829,953</u>	<u>\$ (529)</u>	<u>(.06)</u>
Income (Loss) Before Capital Contributions	361,404	578,532	(217,128)	
Capital Contributions	<u>81,000</u>	<u>4,119,290</u>	<u>(4,038,290)</u>	
Changes in Net Assets	442,404	4,697,822	(4,255,418)	
Beginning Net Assets	<u>4,922,414</u>	<u>224,592</u>	<u>4,697,822)</u>	
Ending Net Assets	\$ <u>5,364,818</u>	\$ <u>4,922,414</u>	\$ <u>442,404</u>	

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes. There was an overall increase in net assets of \$ 442,404.

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

BUDGETARY HIGHLIGHTS

The District adopts an annual Budget by resolution following a public hearing. The Budget includes proposed expenses and the means of financing them. The District's Budget remains in effect the entire year and is subject to revision if necessary during and/or at the end of the year following a public hearing and adoption by the Governing Board by resolution. A quarterly analysis is presented to management and to the Governing Board for their review.

**Table A-3
Budget vs. Actual
2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
From Operations	\$ 430,344	\$ 1,163,854	\$ 733,510
Non-operating Revenue	<u>44,000</u>	<u>26,974</u>	<u>(17,026)</u>
Total	<u>474,344</u>	<u>1,190,828</u>	<u>716,484</u>
Operating Expenses			
Overhead & Management			
Water Leases	340,000	340,585	585
Supplies, Materials, Services	70,450	39,663	30,787
Depreciation and Amortization	65,000	120,981	(55,981)
Non-operating Expense	<u> </u>	<u>328,195</u>	<u>(328,195)</u>
Total Expenses	<u>474,450</u>	<u>829,424</u>	<u>(353,974)</u>
Income (Loss) Before Capital Contributions	\$ <u>(1,106)</u>	\$ <u>361,404</u>	\$ <u>362,510</u>

A public hearing was held on December 6, 2007 and the 2008 final budget was adopted by resolution on December 6, 2007 by the District's Governing Board. The final adopted budget for 2008 is represented in Table A-3 above. The total expenses were \$353,974 over budget. This is due mostly to the additional interest expense of \$328,195 which wasn't budget for.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

CAPITAL ASSETS

**Table A-4
Capital Assets
2008**

	<u>2008</u>	<u>2007</u>	<u>Balance</u>
Capital assets, not being depreciated			
Easements	\$	\$ 6,045	6,045
Water Shares		4,109,290	4,109,290
Construction in progress	122,452	507,317	\$
Deleted Construction in progress	(629,769)		
Infrastructure not in service		<u>17,500</u>	<u>17,500</u>
Total capital assets, not being depreciated	\$ <u>(507,317)</u>	\$ <u>4,640,152</u>	<u>4,132,835</u>
Capital assets, being depreciated			
Sewer Lines	\$ 13,949	\$ 2,178,405	2,192,354
Sewer Lift Stations		302,534	302,534
Other Infrastructure	601,872		601,872
Water Lines	<u>13,948</u>	<u>2,949,040</u>	<u>2,962,988</u>
Total capital assets, being depreciated	\$ <u>629,769</u>	\$ <u>5,429,979</u>	\$ <u>6,059,748</u>
Less: Accum. Depreciation	<u>(112,177)</u>	<u>(282,265)</u>	<u>(394,442)</u>
Net Depreciable assets	\$ <u>517,592</u>	<u>5,147,714</u>	\$ <u>5,665,306</u>
Deletions			
Capital assets, net	\$ <u>10,275</u>	\$ <u>9,787,866</u>	\$ <u>9,798,141</u>

The District's Capital Plan includes the maintenance and upgrading of existing pump stations and building and an additional water tank as new developments require the need.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

DEBT ADMINISTRATION

A bond was issued in 2006 in the amount of \$6,519,682 to pay off the interim warrants from Zion's First National Bank. This was used for the construction and installation of main sewer and water lines and related facilities. Payments began in 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County Council and management of the District considered many factors when setting the year 2009 budget. One of those factors is the local economy and the impact our rates will have on local property owners. Additional establishments of water and sewer policies will be implemented in 2009 so that the District may operate under implemented ordinances and policies. A water and sewer impact fee analysis study was completed, and the District's rate structure was put into place in 2003. This rate structure is competitive with other Special Service Districts' rate structures within Wasatch County. In 2008 the District did not receive any water share contributions. The District expects to receive other water shares in the future. As they are received the value will be based on the current market.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the North Village Special Service District, 55 South 500 East #119, Heber City, Utah 84032.

FINANCIAL STATEMENTS

The financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Net Assets

Statement of Cash Flows

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statement of Net Assets

December 31, 2008

With Comparative Totals for December 31, 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 1 and 2)	\$ 329,702	\$ 457,649
Accounts receivable (Note 1)	358,786	126,239
Current portion of special assessment receivable (Note 4)	242,854	231,891
Other current assets		2,786
Total current assets	<u>931,342</u>	<u>818,565</u>
Noncurrent Assets		
Restricted cash and cash equivalents (Note 2)	815,434	807,935
Capital assets (Notes 1 and 3)		
Non-depreciable capital assets	4,132,835	4,640,152
Depreciable equipment, net	5,665,306	5,147,714
Debt issuance costs, net	110,780	119,584
Special assessment receivable (Note 4)	5,554,000	5,898,000
Total noncurrent assets	<u>16,278,355</u>	<u>16,613,385</u>
Total assets	<u><u>\$ 17,209,697</u></u>	<u><u>\$ 17,431,950</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 128	\$ 3,607
Accrued interest payable	134,282	141,706
Construction payable		19,732
Due to other governmental entities	28,015	
Current portion of special assessment bond (Note 5)	324,000	309,000
Current portion of deferred special assessments (Note 5)	242,854	231,891
Total current liabilities	<u>729,279</u>	<u>705,936</u>
Noncurrent Liabilities		
Deferred revenue	7,600	7,600
Special assessment bond (Note 5)	5,554,000	5,898,000
Deferred special assessment revenue (Note 4)	5,554,000	5,898,000
Total noncurrent liabilities	<u>11,115,600</u>	<u>11,803,600</u>
Total liabilities	<u><u>\$ 11,844,879</u></u>	<u><u>\$ 12,509,536</u></u>
NET ASSETS		
Invested in capital assets, net of related debt (Note 9)	\$ 4,572,109	\$ 4,238,865
Restricted net assets		
Debt service	149,211	122,092
Capital projects	14,254	33,778
Unrestricted	629,244	527,679
Total net assets	<u><u>\$ 5,364,818</u></u>	<u><u>\$ 4,922,414</u></u>

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008	2007
Operating Revenues		
Charges for services	\$ 22,640	\$ 91,845
Reservation fees	472,557	547,362
Miscellaneous revenue		160
Bond assessments	668,657	713,405
Total operating revenues	<u>1,163,854</u>	<u>1,352,772</u>
Operating Expenses		
Materials, supplies, and services	39,663	43,191
Water leases	340,585	336,740
Depreciation	112,177	87,970
Amortization	8,804	8,804
Total operating expenses	<u>501,229</u>	<u>476,705</u>
Operating income	<u>662,625</u>	<u>876,067</u>
Nonoperating Revenues (Expenses)		
Interest revenue	26,974	55,713
Interest expense	(328,195)	(353,248)
Total nonoperating revenues (expenses)	<u>(301,221)</u>	<u>(297,535)</u>
Income Before Contributions	<u>361,404</u>	<u>578,532</u>
Capital Contributions		
Contributions from developers	81,000	4,119,290
Total capital contributions	<u>81,000</u>	<u>4,119,290</u>
Change in Net Assets	442,404	4,697,822
Net assets – beginning of year	<u>4,922,414</u>	<u>224,592</u>
Net assets – end of year	<u>\$ 5,364,818</u>	<u>\$ 4,922,414</u>

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statement of Cash Flows

For the Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	2008	2007
Cash Flows from Operating Activities		
Receipts from customers	\$ 262,650	\$ 563,007
Bond assessment receipts	668,657	713,405
Payments to suppliers	(352,926)	(407,125)
Net cash provided by operating activities	<u>578,381</u>	<u>869,287</u>
Cash Flows from Capital and Related Financing Activities		
Construction of capital assets	(142,184)	(602,466)
Contributions from developers	81,000	
Principal paid on debt	(329,000)	(312,682)
Interest paid on debt	(335,619)	(331,109)
Net cash used by capital and related financing activities	<u>(725,803)</u>	<u>(1,246,257)</u>
Cash Flows from Investing Activities		
Interest	26,974	55,713
Net cash provided by investing activities	<u>26,974</u>	<u>55,713</u>
Net decrease in cash and cash equivalents	(120,448)	(321,257)
Balances – beginning of year	1,265,584	1,586,841
Balances – end of year	<u>\$ 1,145,136</u>	<u>\$ 1,265,584</u>
Cash and cash equivalents	\$ 329,702	\$ 457,649
Restricted cash and cash equivalents	815,434	807,935
	<u>\$ 1,145,136</u>	<u>\$ 1,265,584</u>
<i>Reconciliation of operating income to net cash provided by operating activities</i>		
Operating income	\$ 662,625	\$ 876,067
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	112,177	87,970
Amortization	8,804	8,804
Changes in assets and liabilities		
Increase in accounts receivable	(232,547)	(76,360)
Decrease (increase) in other current assets	2,786	(2,786)
Increase (decrease) in accrued liabilities	24,536	(24,408)
Net cash provided by operating activities	<u>\$ 578,381</u>	<u>\$ 869,287</u>
<i>Noncash capital and related financing activities</i>		
Contributed capital assets		\$ 4,119,290

NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are included to provide information that is essential to a user's understanding of the financial statements.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements and notes are representations of North Village Special Service District's management, which is responsible for their integrity and objectivity. They have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and present the financial position, the changes in its financial position, and the cash flows of North Village Special Service District (the District) as of December 31, 2008, and for the year then ended. This summary of significant accounting policies of the District is presented to assist in understanding the financial statements.

Reporting Entity

North Village Special Service District is an enterprise fund type of the governmental entity Wasatch County operated similar to a private business enterprise. The intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis within the boundaries of the District be financed or recovered primarily through user charges for water and sewer services.

Component Unit

Under the guidelines established by GASB 39, the District has been determined to be a component unit of Wasatch County for financial accounting purposes and is included as a blended component unit in the County's financial statements.

Basis of Accounting

Enterprise funds focus on measurement of the flow of economic resources. With this measurement focus, all assets and liabilities associated with the operation of this fund, both current and noncurrent, are included on the Statement of Net Assets. The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Enterprise funds follow all Governmental Accounting Standards Board (GASB) pronouncements. In addition, all Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinion pronouncements issued on or before November 30, 1989 are followed, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's ongoing operations. The operating revenues of the District are water and sewer fees, and water reservation fees received from developers within the District's boundaries. Operating expenses for the District include the costs of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

The District defines cash and cash equivalents as all deposits in its checking account and all highly liquid debt instruments purchased with a maturity of three months or less. See Note 2 for additional information.

Capital Assets

All purchased or constructed capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000, and with a useful life of more than one year.

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Depreciation is computed using the straight-line method over the useful life of the asset. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Years</u>
Sewer lines	50
Water lines	50
Sewer lift station	50
Other infrastructure	50

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period. Assets the District is constructing are not placed in service until the construction is complete; therefore, no depreciation is taken. Interest on construction related debt is capitalized. See Note 3 for additional information.

Accounts Receivable

The District considers an account to be delinquent if payment has not been received by the last day of the month following the month of billing. All delinquent monthly utility service accounts are assessed a finance charge of \$15 per month. All other delinquent accounts are assessed a finance charge of 1.50 percent per month, 18 percent per annum. Wasatch County passed an ordinance allowing districts to place a lien on any property with an overdue balance of either reserve fees or customer service fees. As the District will eventually collect the fees, an allowance for doubtful accounts is not recorded in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgeting

The District's governing board adopts a budget for each year prior to the beginning of the year. These budgets are amended during the year, as the board deems necessary, to accommodate current operations and are accepted by official vote of the board. The board did not amend the budget for the year ended December 31, 2008.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The District has retained the risk of loss and will fund claims as they occur. As of December 31, 2008, no claims had been made.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first utilizes restricted resources to finance qualifying activities. See Note 9 for further information.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (the Council). Following are discussions of the District’s exposure to various risks related to its cash management activities.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be recovered. The District’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2008, \$55,435 of the District’s bank balance of \$305,435 were uninsured and uncollateralized.

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2008, the District had investments of \$839,700 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Restricted Cash and Cash Equivalents

Bond assessments are restricted until they are needed to meet debt service requirements. As of December 31, 2008, unexpended assessments of \$81,146 are being held in a PTIF account.

Debt service reserve accounts established to meet bond issue requirements currently total \$720,034. These funds are being held in various PTIF accounts and will be used to meet future debt service requirements.

The District received \$358,000 to cover the anticipated costs to complete the River Meadows Ranch water system. Remaining funds of \$14,254 are being held in a PTIF account.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2008

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 is as follows:

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Capital assets, not being depreciated				
Easement	\$ 6,045			\$ 6,045
Water shares	4,109,290			4,109,290
Infrastructure not in service	17,500			17,500
Construction in progress	507,317	\$ 122,452	\$ (629,769)	
Capital assets, not being depreciated	4,640,152	122,452	(629,769)	4,132,835
Capital assets, being depreciated				
Water lines	2,949,040	13,948		2,962,988
Sewer lines	2,178,405	13,949		2,192,354
Sewer lift stations	302,534			302,534
Other infrastructure		601,872		601,872
Total capital assets, being depreciated	5,429,979	629,769		6,059,748
Less accumulated depreciation				
Water lines	(164,807)	(59,120)		(223,927)
Sewer lines	(92,844)	(43,708)		(136,552)
Sewer lift stations	(24,614)	(6,052)		(30,666)
Other infrastructure		(3,297)		(3,297)
Total accumulated depreciation	(282,265)	(112,177)		(394,442)
Net depreciable assets	5,147,714	517,592		5,665,306
Capital assets, net	\$ 9,787,866	\$ 640,044	\$ (629,769)	\$ 9,798,141

NOTE 4 – SPECIAL ASSESSMENT RECEIVABLES AND DEFERRED REVENUE

Governmental accounting principles require that special assessment revenue be recognized when the underlying event has occurred (levy) and demand for payment is made (billing). Therefore, the District has recorded \$5,796,854 of special assessment receivables and deferred revenue since billings for these assessments have not been made.

See Note 5 for additional information regarding the special assessment bonds. The amount billed equaled \$668,657 for the year ended December 31, 2008.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2008

NOTE 5 – LONG-TERM LIABILITIES

Long-term Liabilities

Descriptions of the long-term debt are as follows:

Special Assessment Bond, Series 2007

This bond was issued in 2007 in the amount of \$6,519,682. This bond was used to pay off the interim warrants from Zions First National Bank which were used to finance the construction and installation of main sewer and water lines and related facilities. The bond is payable over a 15 year period with interest rates ranging from 5.32 percent to 5.45 percent. Annual payments began August 1, 2008.

The District's long-term liabilities for the year ended December 31, 2008 are as follows:

	Balance 12/31/2007	Additions	Reductions	Balance 12/31/2008	Due Within One Year
Revenue bonds					
Special assessment bonds	\$ 6,207,000		\$ 329,000	\$ 5,878,000	\$ 324,000
Total bonds payable, net	<u>6,207,000</u>		<u>329,000</u>	<u>5,878,000</u>	<u>324,000</u>
Other liabilities					
Deferred revenue	7,600			7,600	
Deferred assessment revenue	6,129,891		333,037	5,796,854	242,854
Total long-term liabilities	<u>\$ 12,344,491</u>	<u>\$ -0-</u>	<u>\$ 662,037</u>	<u>\$ 11,682,454</u>	<u>\$ 566,854</u>

Deferred Revenue

The District received funds from developers before they had a legal claim to them; therefore, they were recorded as a liability on the Statement of Net Assets. When the recognition criteria are met, the liability will be removed from the Statement of Net Assets and the revenue will be reported in the Statement of Revenues, Expenses, and Changes in Net Assets.

NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2008

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Annual Debt Service Requirements

The District's annual requirements to meet their debt obligations to maturity are as follows:

Year ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total Obligation</u>
2009	\$ 324,000	\$ 318,036	\$ 642,036
2010	341,000	300,799	641,799
2011	360,000	282,623	642,623
2012	379,000	263,363	642,363
2013	399,000	243,011	642,011
2014-2018	2,342,000	866,615	3,208,615
2019-2021	1,733,000	191,923	1,924,923
Total debt	<u>\$ 5,878,000</u>	<u>\$ 2,466,370</u>	<u>\$ 8,344,370</u>

NOTE 6 – RELATED PARTIES

Jordanelle Special Service District

In 2002, the District entered into an agreement with Jordanelle Special Service District (JSSD) to provide wastewater treatment services for the District. Until the District's infrastructure is in place, JSSD will charge the District a monthly water reservation fee of \$326 per acre foot for 81.25 acre feet, and \$775 per acre foot for 2.08 acre feet. The District paid JSSD \$336,180 during the year ended December 31, 2008 for water. The District and JSSD are both component units of Wasatch County and are managed by the same individuals.

NOTE 7 – ECONOMIC DEPENDENCY

In 2008, the District received ninety-seven (97) percent of its revenues from water reservation fees and bond assessments received from participating property owners. Once completely operational, North Village Special Service District will be economically dependent on the sewer collection and water services it provides within its boundaries.

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2008

NOTE 8 – IMPACT FEE REVENUE

The District has assessed an impact fee of \$3,023 per equivalent residential unit since October 17, 2003, for developments wishing to participate in the services of the District. No impact fees were collected in 2008, and all impact fees previously collected were expended in prior years.

NOTE 9 – NET ASSETS

Net assets at December 31, 2008 consisted of the following:

Invested in capital assets, net of related debt	
Property, plant, and equipment, net	\$ 9,798,141
Outstanding debt issued to construct capital assets	<u>(5,226,032)</u>
Total invested in capital assets, net of related debt	<u>\$ 4,572,109</u>
 Restricted net assets	
Restricted for debt service	\$ 801,179
Outstanding debt issued to construct capital assets	<u>(651,968)</u>
Total restricted for debt service, net of related debt	<u>149,211</u>
 Contributed capital	<u>14,254</u>
Total restricted for capital projects, net of related debt	<u>14,254</u>
Total restricted net assets	<u>\$ 163,465</u>
 Unrestricted net assets	<u>\$ 629,244</u>
Total net assets	<u>\$ 5,364,818</u>

ADDITIONAL AUDITORS' REPORTS AND SCHEDULE

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.



HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

DAVID A. CLOWARD, CPA
KEVIN L. SIMISTER, CPA
O. JEFFERY WILDE, CPA
MARK D. WHITTAKER, CPA
DENTON R. ALEXANDER, CPA
D. ERIC NUTTALL, CPA
BRUCE D. GARFIELD, CPA
CLINT L. PETERSON, CPA
ANGELA ANDERSON MORRIS, CPA
MARK L. HALE, CPA
JOSH G. ROWLEY, CPA

RICHARD E. HAWKINS, CPA
KEITH T. BORUP, CPA
RONALD K. HAWKINS, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Governing Board Members
North Village Special Service District
Heber City, Utah

We have audited the financial statements of North Village Special Service District, a component unit of Wasatch County, as of and for the year ended December 31, 2008, and have issued our report thereon dated March 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered North Village Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Audit Findings to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether North Village Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

This report is intended solely for the information and use of management, the Governing Board, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

March 28, 2009

**NORTH VILLAGE
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Schedule of Audit Findings

December 31, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of North Village Special Service District.
2. There was one significant deficiency, as described in finding 08-1, relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

B. FINDINGS — FINANCIAL AUDIT CURRENT YEAR

08-1 Finding: Transactions Posted Incorrectly

While conducting the audit, we noted that invoices for construction of the District's capital assets were being expensed. We noted that invoices for service related costs were being capitalized.

Recommendation:

We recommend more care be taken during the data input phase of the Cash Disbursements process to ensure the invoice is posted to the correct general ledger account. We also recommend the District Treasurer review the general ledger detail report each month to ensure any errors are found and corrected on a timely basis.

District's Response:

We agree with the finding and will initiate regular meetings to communicate the proper coding of invoices to ensure the correct accounts are used when invoices are entered into the accounting system.

C. FINDINGS – FINANCIAL AUDIT PRIOR YEAR

07-1 Finding: Capitalization Policy

While conducting the audit, we noted that engineering fees related to the construction of District assets were expensed instead of capitalized.

Status:

See current year finding 08-1.

07-2 Finding: Manual Invoices

While conducting the audit, we noted that some invoices are being prepared manually instead of being created through the billing program. This has resulted in receipts being recorded incorrectly and errors in the accounts receivable subsidiary ledger.

Status:

This finding has been corrected.

07-3 Finding: Contributed Assets

While conducting the audit, we noted assets had been contributed to the District, but never valued and entered into the accounting system.

Status:

There were no contributed assets in the year ending December 31, 2008.



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UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

Honorable Governing Board Members
North Village Special Service District
Heber City, Utah

We have audited the accompanying financial statements of North Village Special Service District, a component unit of Wasatch County, for the year ended December 31, 2008, and have issued our report thereon dated March 28, 2009. Our audit included test work on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Special Districts
Other General Issues
Impact Fees

The District did not receive any State grants during the year ended December 31, 2008.

The management of the North Village Special Service District is responsible for the District's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance regarding whether material noncompliance with the requirements referred to above

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www.mycpa.com • Email: hcs@mycpa.com

occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed two immaterial instances of noncompliance with the requirements referred to above, which are described below. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the final paragraphs of this report. There were no prior year findings.

FINDINGS — FINANCIAL AUDIT CURRENT YEAR

1. Finding: Notice for Budget Hearing

Utah Code, Section 17B-1-6 requires the District to publish a notice of the budget hearing at least seven days prior to the hearing. Notice for the hearing was given only one day prior.

Recommendation:

We recommend the District ensure proper notice is given by publishing the notice at least seven days before the hearing.

District's Response:

The notice was given to the paper at the right time, but the paper did not publish the notice until after the required day. We agree with the finding, and next year the paper will be watched to ensure the notice is published correctly to prevent noncompliance.

2. Finding: Expenditures in Excess of Budget

Utah Code, Section 17B-1-6 states that the officers and employees of the District shall not incur expenditures in excess of the total appropriations for any department or fund. The District's expenditures were in excess of budget.

Recommendation:

We recommend management compare year-to-date actual income and expenses to the current year budget prior to year end. Proposed budget amendments can then be reviewed by the Board and an amended budget approved to ensure compliance. We also recommend this comparison be reviewed when formulating the budget for the ensuing fiscal year.

District's Response:

Management agrees with the finding and will take more care to include all expected revenue and expenses in the current year budget in order to ensure expenses do not exceed budgeted appropriations.

In our opinion, North Village Special Service District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2008.

This report is intended solely for the information and use of management, the Governing Board and the Utah State Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward + Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

March 28, 2009